

-NO.21

Department of State

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TO: Secretary of State

NO: 1927, September 28, 8 p.m.

EX-CON

After four COCOM mtgs and numerous talks with UKDEL on List II problem, and pending further developments in detailed item discussions which will begin Oct 1, USDEL sees current situation and future outlook on quantity controls as follows:

One. There is fair possibility that an improved form of quantity controls, heretofore agreed to only in principle ("hold-the-line") and with considerable misgiving on all sides, will be found workable and acceptable to PCs. Real possibility, foreseen by UK, that some PCs might seek to re-draft CG directive, argue broad principles or otherwise obstruct or delay project, did not (rpt not) materialize in early discussions.

Two. PCs have accepted idea that no (rpt no) further delay in attempting to dispose of List II items shld be tolerated. Action on chemical items to start in COCOM Mon and technical experts attending, to be followed by metalworking categories soon as possible, perhaps late next week, and thereafter by other categories in numerical order.

3. It appears likely that degree of control ultimately agreed for individual items will differ considerably from conservative proposals put forward by more security-conscious US. Other PCs have econ considerations foremost in mind. Believing that controls may be in effect over long period, and desiring to avoid use of exceptions procedure which requires specific justification for such exports as they may find necessary, they appear disposed to "hold-the-line" wherever possible and to cut back exports only when clearly convinced that past export levels have been excessive in terms of making significant contribution to Sov bloc war potential.

Four. These differences in approach reflected in early debate on procedure for disposing of items not (rpt not) upgraded or contaminated. USDEL, with initial support of UK, pressed strongly for approach in two distinct phases: (A) determination of global quota or limit on strategic grounds and (B) allocation of total among exporting EGs on equitable basis. By this procedure we hoped limit attendance.

• This copy must be returned to DC/R ^{with notation of action taken} ^{technical experts}

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Technical experts to first phase, keep security objective foremost in mind, and avoid raising numerous problems at outset, such as equitable base periods and inadequacy of past statistics, which might cause lengthy delay or even breakdown entire effort. In prelim discussions with UK they strongly doubted willingness of PCs to agree any specific global limit without knowing what this wld mean to individual countries in terms respective shares. UK, nevertheless, supported US position, and in return US supported UK proposal that decision as to global limit wld be expressed in terms of maintaining or cutting back from estimated past export levels. US will continue urge strategic basis US recommendations. In subsequent lengthy COCOM debate on sample case (2120-anti-scaling equipment) agrmt was reached to hold line but no (rpt no) agrmt cld be reached on precise total figure even though this wld have meant only minor adjustment in shares after certain dels cld provide more detailed statistics. At this point Belg del proposed, and was supported by UK and other PCs, that all PCs should come prepared, for chem discussions, to state what specific amt they shld be allowed to export item by item. As later modified after US-UK discussion, procedure wld also require PCs to provide specific figure for past average exports, even if estimated or arbitrary, and to state their view, if any, as to what global total shld be fixed on strategic grounds. This approach shld permit COCOM to arrive at global figure which PCs desire to ship and to debate whether figure is all right or shld be reduced on strategic grounds under CG directive. If cutback agreed, present thinking is that percentage wld be applied against base period figures, with such adjustments among shares as COCOM might agree to be equitable (e.g., to meet FEDREP on base period issue). We wld hope that if agrmt on global limit can be reached in this manner, and questions as to equitable shares on some postponed to later date, main objective of reaching agrmt on total limits within reasonable time will be achieved. From viewpoint of US relations with other PCs, agreed procedure has merit that it will require each PC to take positive position each item rather than continued negative opposition to specific US proposals. Principal disadvantage from US viewpoint is that debate may start with more definite bias toward hold-the-line than otherwise, altho also possible that US may now (rpt now) receive more support than otherwise (in our efforts to obtain cutbacks in justified cases) from those PCs not (rpt not) directly interested in exporting the item.

Five. In final analysis disposition of items will be strongly influenced by US position, which has been made clear to PCs item by item (but without detailed justifications) in doc 489- (airpouched in Emb desp 847, Sept 25) and by UK attitude. Prelim indication is that UK will support hold-the-line or higher limits for at least half the G3 List II items and will support embargo, severe restriction or moderate cutbacks on about one-third of items. Other proposals to downgrade and several for quid pro quo treatment.

Six. In order achieve

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Six. In order achieve maximum area of agrmt without committing US to specific limits which are clearly not (rpt not) defensible from strategic viewpoint, USDEL will assume there is reasonable flexibility in US item proposals, which are intentionally conservative, and intends adopt fol approach when agrmt not obtainable on level we proposed or any lower level: (A) will accept level reasonably above US proposals; (B) will accept level substantially above US proposal, in deference to combined judgment of other PCs, if rational defense on strategic grounds is put forward for such action; in these instances, will also strongly urge that shipments so far as possible be kept below agreed level; (C) will not (rpt not) accept any level substantially above US proposal, for which no rational defense is offered, and in these cases will propose quid pro quo treatment for all shipments or for those above some limit we consider defensible; and (D) in event PCs will not accept quid pro quo proposal (which differs from exceptions procedure in that prior consultation with COCOM is not required) will make clear reasons we cannot agree to higher limit, reserve position and request Dept instrs. If by end of discussions some compromise appears feasible whereby substantial agrmt might be reached, even though final levels of all items at issue are not (rpt not) defensible by US but represent maximum degree of restriction which can be agreed multilaterally, USDEL will request instrs before taking any position.

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